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STATE FOR E, EB, AND EUR/ERA

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SUBJECT: NEW FRENCH G-8 FOREIGN AFFAIRS SOUS-SHERPA AND
ECONOMIC DIRECTOR

Classified By: Econ Minister-Counselor Thomas White, for reasons 1.4 (b)
) and (d).

¶1. (U) This contains a request for guidance, see para. 5.

¶2. (S) Summary. The French MFA's new Director for Economic Affairs (Undersecretary equivalent), Jacques Lapouge, will, like his predecessor, serve as G-8 Foreign Affairs Sous-Sherpa. Lapouge is a self-described EU and East Asia expert. In getting up to speed on the full basket of G-8 issues, he asked for an explanation of USG reluctance to see Russia participate in the G-7 financial affairs process. He gave a strong endorsement of PM de Villepin's economic program, including the PM's comments on "economic patriotism." End Summary.

¶3. (U) On 29 September, Econ Minister-Counselor and Econ Counselor met with the new MFA Director for Economic Affairs, Jacques Lapouge for an introductory meeting. Lapouge was accompanied by his G-8 Advisor, Cyrille Pierre.

¶4. (C) Econ M/C noted that the Embassy and, more broadly, USG officials in general had enjoyed an excellent working relationship with Lapouge's predecessor, Alain Leroy. He said he hoped and expected that would continue. Lapouge agreed. Lapouge, who has only been in the position for a little over two weeks, explained in general terms the issues for which he is responsible. He noted that while he was relatively familiar with most of the portfolios, he would need to quickly study the basket of G-8 issues.

¶5. (C) On the G-8, Lapouge noted that the upcoming Russian presidency would pose some interesting challenges. One particularly awkward aspect would be the fact that Russia would be chairing the G-8 and hosting the summit, but was not part of the G-7 financial affairs process. He said that France supported including them in this aspect and hoped to make the finance component of the G-8 mirror its foreign affairs counterpart. France's position was based on purely practical considerations, Lapouge said. "How can they host a summit and not be included in an important part of the discussions?" he commented. He said he knew that the U.S. was against Russian participation and asked for USG thinking behind not wanting to bring the Russians into the G-7 processes. (Request for guidance: Embassy would appreciate receiving background on the USG position on this issue to share.)

¶6. (C) Lapouge also noted that there was mild GOF consternation that some initiatives as part of the BMENA process had been announced as G-8 initiatives without being fully blessed by all the G-8 partners (he did not specify which ones). He said France shared and understood U.S. goals in the Middle East and North Africa, but he hoped there could be a greater effort made at consultation and coordination on the USG's part. France did not like to be presented with "fautes accomplis," he said. Econ Couns explained that several State Department officials, including EUR Assistant Secretary Dan Fried, have been to Paris recently to discuss

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these issues with the GOF in an attempt to broaden and increase our consultation with France and other European partners. He added that we understood France's historical and economic interest in the region. Lapouge, did not know about A/S Fried's visit (which took place before he started in this job) and said that France was keen to avoid overlap with initiatives the EU was undertaking, particularly those coming out of the Barcelona process. He said he was also worried about BMENA countries' ability to absorb and make use of all that was being offered them.

¶7. (C) Econ M/C enumerated the bilateral issues that Embassy's Econ Section has been working on with the GOF. He noted that we would be watching closely the GOF's designation of "strategic industries" and said he hoped France would not be closing the door to potential foreign -- and especially American -- investment. Lapouge responded that PM de Villepin's pronouncements on "economic patriotism" were "completely appropriate." He said that every country seeks to protect industries it sees as sensitive. He recalled the "uproar" in the 1980's when the Japanese were buying "everything in the U.S. from Rockefeller Center to Hollywood

studios." He saw nothing different from the Pepsi-Danone episode than what went on in the U.S. in the 1980's. He stressed that France's policies on sensitive industries would be very similar to those in force in the U.S.

18. (C) Lapouge also made a pitch for serious U.S. consideration of Alain Madelin as Secretary-General of the OECD. He said Madelin has always been seen as extremely "liberal" and pro-U.S. and, as a result, something of an outsider in France. Nevertheless, he added, Madelin's candidacy has the full support of the French government. He offered to answer any questions we might have on Madelin's suitability for the job and asked if we could pass along early notions of whom the USG would support.

19. (S) Bio Note: Lapouge was serving until recently as France's Ambassador to Malaysia where he said he enjoyed good relations with the U.S. Embassy. He described himself as a specialist in East Asia (he also served in Tokyo) and European Community affairs. He noted wryly all the issues he had worked on over the years and cited agricultural biotech, beef hormones, FSC, bananas, and said he was now adding Airbus-Boeing to the list. Lapouge spoke no English in this first meeting but said that that was "all" he spoke during his time in Malaysia. He was friendly, but in our initial opinion, does not bring the warmth and openness -- particularly to the U.S. -- to the job the way his predecessor did.

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